

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  IOWA TELECOMMUNICATIONS SERVICES, INC., d/b/a IOWA TELECOM	DOCKET NO. INU-01-1
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**ORDER DENYING PETITION FOR DEREGULATION**

(Issued April 5, 2002)

**PROCEDURAL HISTORY**

On August 9, 2001, Iowa Telecommunications Services, Inc., d/b/a Iowa Telecom (Iowa Telecom), filed a petition for deregulation of its retail local exchange services in the exchange areas of Armstrong, Bennett, Coon Rapids, Delmar, Forest City, Lowden, Manning, and Oxford Junction. Iowa Telecom amended its petition on September 12, 2001, adding the Stanwood exchange to the list of exchanges. Iowa Telecom alleged it is subject to effective competition in each of the identified exchanges.

On September 10, 2001, responses to the Iowa Telecom petition were filed by the Consumer Advocate Division of the Department of Justice (Consumer Advocate); AT&T Communications of the Midwest (AT&T); Independent Networks, L.C., Farmers' and Business Mens' Telephone Company, Forest City Telecommunications, Inc., and Lost Nation-Elwood Telephone Company (collectively, the Independent Group); the Iowa Association of Municipal Utilities

(IAMU); and Coon Rapids Municipal Communications Utility and Manning Municipal Communications and Television System Utility (collectively, the Municipal Group). Each of the responses urged the Board to deny the request for deregulation. Several of the responses asked that the Board docket the petition as a formal notice and comment proceeding pursuant to 199 IAC 5.3(1).

On September 18, 2001, the Board issued an order docketing the petition as a formal notice and comment proceeding and required that Iowa Telecom serve a copy of its petition and the Board's order on all entities alleged by Iowa Telecom to be current or potential competitors with respect to the services proposed for deregulation. The Board also established the procedural schedule for this matter.

Iowa Telecom filed an affidavit of service with the Board on October 1, 2001, demonstrating that it had served a copy of the petition and a copy of the Board's docketing order to all competitors.

On October 29, 2001, Iowa Telecom, AT&T, the Municipal Group, the Rural Iowa Independent Telephone Association (RIITA), the Independent Group, the Iowa Telecommunications Association (ITA), IAMU, and Consumer Advocate filed initial statements of position.

On November 19, 2001, reply statements of position were filed by Iowa Telecom and the Independent Group.

Hearing in this matter began at 10 a.m. on December 11, 2001, in the Board's hearing room. Iowa Telecom, IAMU, AT&T, the Independent Group, ITA, the Municipal Group, RIITA, and Consumer Advocate attended.

On January 16, 2001, briefs were filed with the Board by Iowa Telecom, AT&T, the Municipal Group, and IAMU. Additional briefs from RIITA and the Independent Group were filed with the Board on January 18, 2001.

### **Applicable Legal Standards**

Iowa Code § 476.1D(1) (2001) provides for deregulation of communications services if the Board determines that the services are subject to effective competition. In making that determination, the Board must consider, among other factors, whether a comparable service or facility is available from a supplier other than the regulated telephone utility and whether market forces are sufficient to assure just and reasonable rates without regulation. The Board has the option of deregulating rates but continuing service regulation if the Board determines the service is an essential communications service and the public interest warrants continued service regulation, pursuant to § 476.1D(5).

The Board's rules regarding deregulation are found at 199 IAC 5. Subrule 5.6(1) specifies certain additional criteria the Board may consider in determining whether a service is subject to effective competition:

- a. The ability of a single provider to determine or control prices;
- b. The ease with which other providers may enter the market;
- c. The likelihood that other providers will enter the market;
- d. The substitutability of one service for another; and
- e. Other relevant considerations.

### **Initial Issue Regarding The Petition**

#### **1. Is Iowa Telecom proposing to deregulate access services?**

Some parties argued that it was not clear whether Iowa Telecom's petition proposed to deregulate intrastate access charges in the identified exchanges. In its petition, Iowa Telecom requested deregulation of "all retail local exchange services" in the identified exchanges and further stated that "the services at issue are all retail local exchange services including access services provided by Iowa Telecom to the exchanges." (Petition, para. 4.) Because access services are not normally considered "retail local exchange services," some parties found this language confusing.

Iowa Telecom's initial statement of position clarified that Iowa Telecom was asking the Board to "deregulate all of its retail local exchange services in the exchanges including access services." (Init. Statement 1.) Iowa Telecom continued to pursue access service deregulation through the hearing.

In its initial brief, however, Iowa Telecom withdrew its request to deregulate access services, stating that the Board's October 25, 2001, decision in FiberComm L.L.C., et al., vs. AT&T Communications of the Midwest, Inc., Docket No. FCU-00-3, had already addressed Iowa Telecom's concerns regarding the access rate disparities between Iowa Telecom and the competitive local exchange carriers (CLECs). (Iowa Telecom Init. Br. at 22.)

In its Reply Brief, the Municipal Group points out that Iowa Telecom has not explained why its request to deregulate access services was not withdrawn until

January 16, 2002. Given that the FiberComm decision was issued almost three months earlier, and several weeks before the hearing in this docket, the Municipal Group argues the access service request should have been withdrawn at an earlier date, saving time at the hearing. The Municipal Group asks that the Board allocate and charge to Iowa Telecom the Board's costs associated with consideration of the request to deregulate access services.

Because Iowa Telecom has withdrawn its request for deregulation of access services, it is no longer a substantive issue before the Board. The remaining issue is the assessment of the Board's expenses associated with this docket. The Board finds those expenses should be assessed to Iowa Telecom, so issue-by-issue treatment of those expenses is unnecessary.

**Statutory Issues — Does the record support a finding of effective competition?**

**1. Are comparable services available from a supplier other than Iowa Telecom?**

In its petition, Iowa Telecom asserts that there is a supplier in each of the identified exchanges that offers comparable services. (Petition 3-8.) Iowa Telecom asserts that in each exchange, a CLEC has received a certificate of public convenience and necessity and is offering local land-line telephone service in direct competition with Iowa Telecom. (Init. Statement at para. 8.) In all but two exchanges the CLEC also purchases unbundled network elements (UNEs) from Iowa Telecom to provide local exchange services in the rural areas. (Para. 9.) Iowa Telecom also

included confidential market share data, as Exhibit B to the petition, showing that the CLECs have a "substantial"percentage of the customers in each exchange.

In its reply statement, Iowa Telecom argues that most of the parties have not disputed the fact that the competitors offer services that are substitutable for Iowa Telecom's. (Reply Br. 4.) Iowa Telecom recognizes that the Independent Group has argued that, for economic reasons, they cannot offer the same local calling plans as Iowa Telecom, but Iowa Telecom responds that others could offer those services, if they chose to. (Id.) Iowa Telecom also argues that some variation in service offerings is one of the desirable aspects of a competitive market; it would stifle innovation if all competitors could only offer the same services. (Id.)

The Independent Group argues that Iowa Telecom has some services that are unique to Iowa Telecom, including the Local Calling Plans that allow customers to call every exchange within a specified distance for a flat rate per month. Iowa Telecom is uniquely positioned to offer this service because it owns and operates multiple exchanges, many of which are adjacent to one another, so Iowa Telecom does not have to pay access charges for this traffic. Moreover, the Independent Group states that Iowa Telecom has an arrangement with Qwest to mutually terminate long distance traffic without additional per-minute charges. No other carrier has such an arrangement, which also makes Local Calling Plans available only from Iowa Telecom.

The Independent Group argues that Iowa Telecom's limited focus on percentage of access lines and whether the competing company has a tariff is

inadequate to conclude that comparable services are available. Iowa Telecom failed to submit "evidence regarding the capacity of the companies to serve, what the types of tariffed services are or how they compare, or any other details regarding its service offerings or those of its competitors." (Init. Br. 20.) In reply, Iowa Telecom argues it is not required that the competitors are actually providing the services listed in the tariffs filed with the Board, but only that such services be offered. (Reply Br. 6-7.)

In addition, the Independent Group notes "there is no other comparable provider of services other than Iowa Telecom, which controls the wholesale distribution of . . . rural lines." (Init. Br. 20.)

The Municipal Group argues that while Iowa Telecom offers both local exchange and long-distance services, "muni telecoms almost all restrict themselves to providing local exchange service in a single service area." (Init. Statement at 3.) The Municipal Group does not argue that they cannot offer long distance, but state law prohibits them from subsidizing their local exchange service from other services, while Iowa Telecom is permitted to do so. (Id. at 3-4.) In fact, the Municipal Group alleges, Iowa Telecom has done just that by making a package offer to municipal telephone company customers that combines local and long distance service, Internet access, and regional calling plans. (Id.)

Consumer Advocate states there is little dispute that the first statutory factor on comparable services has been met and that comparable services or facilities are available from one supplier other than Iowa Telecom in each of the exchanges. (Init. Br. 2.) Furthermore, the Municipal Utilities (Coon Rapids and Manning) do not

dispute that they provide comparable services to those provided by Iowa Telecom.

(Init. Br. 4.)

***Analysis***

This statutory factor requires the availability of comparable services or facilities from at least one supplier other than Iowa Telecom in each of the nine exchanges. The Board has previously determined that these services need only be comparable or substitutable to satisfy the statutory requirement. The services are not required to be identical. U S WEST Communications, Inc., Docket No. INU-99-3, "Order Denying Petition to Deregulate," p. 21 (issued March 1, 2000).

Consumer Advocate argues there is little or no dispute the services offered by Iowa Telecom and the CLECs are comparable. The Independent Group contends Iowa Telecom's reliance on access line counts and filed tariffs does not provide enough evidence to conclude that comparable service are offered because Iowa Telecom failed to provide details on service types and actual, as opposed to tariffed availability. The Independent Group contends the rural lines in most of the exchanges are unbundled Iowa Telecom lines.

The Independent Group is essentially arguing that the record lacks enough evidence to conclude the services offered by Iowa Telecom and the CLECs are comparable. The Board is not persuaded by this argument. Iowa Telecom has provided a detailed list of the tariffed services offered by the CLECs and itself along with access line counts reflecting significant market penetration by the CLECs. (Petition, Ex. A, B, and C.) The record contains statements by the CLECs identifying



the services they offer. For example, an Independent Group witness stated, "We provide dial-up Internet service, high speed Digital Subscriber Line (DSL), fully digital telephone services including voice mail and Caller ID." (Tr. 318-19.) The Municipal Utilities witness stated that both Coon Rapids and Manning are facilities-based full service telecommunication providers, offering local and long distance telephone, dial-up and high speed Internet, and cable television. Coon Rapids also offers paging service and hopes to offer cellular service soon. (Tr. 392-93.) The record contains sufficient evidence to conclude the services available from Iowa Telecom and the CLECs are comparable.

There are additional statements in the record reflecting the types of service and the quality of service, which are obviously related to the market share levels attained by the CLECs. (Tr. 325-27.) The levels of market penetration established by the CLECs as well as references in the record regarding the CLEC's range of services reflect the comparability of the services offered by the parties, at least from the consumer's point of view.

The Independent Group also raised concerns with the substitutability of service regarding local calling plans offered by Iowa Telecom, which are technically, but not economically, available to the CLECs serving the same exchange. (Tr. 360.) The weight of this argument is limited, as the applicable standard at issue here does not require identical service or facilities, only comparable or substitutable service or facilities.

The Board finds that comparable services are available from a supplier other than Iowa Telecom in each of the identified exchanges.

**2. Are market forces sufficient to assure just and reasonable rates without regulation?**

In its initial brief, Iowa Telecom asserts that the evidence it provided regarding the factors in 199 IAC 5.6(1)"a" through "c" (regarding ability to control prices, ease of entry, and likelihood of entry) satisfies this statutory requirement. On reply, Iowa Telecom also asserts that the market share information filed is "strong evidence that market forces are sufficient to assure just and reasonable rates." (Reply Br. 7.)

Consumer Advocate argues that the ultimate objective of Iowa's public policy concerning telecommunications service is to assure just and reasonable prices. If and when—but not before—market forces are sufficient to assure just and reasonable rates without regulation, is it appropriate to deregulate. (Init. Br. 3.) Whether, in fact, market forces are sufficient to assure just and reasonable rates without regulation depends on the absence or existence of market power, which needs to be assessed by analyzing the market structure and the behavior of firms in the market. (Init. Br. 4-5.) Consumer Advocate asserts that the evidence in this docket clearly shows market forces are not sufficient today to assure just and reasonable rates without regulation. Each of the exchanges for which Iowa Telecom seeks deregulation is a duopoly, wherein firms have sufficient market power to raise prices above costs, including a reasonable return on and a return of invested capital.

IAMU argues that Iowa Telecom has limited support for its allegation of "effective competition." Iowa Telecom did not (1) survey customers to identify why Iowa Telecom might be losing customers, (2) consider the role of high capital costs as a barrier to competitive entry, (3) use experts in preparing its case, (4) adequately consider the characteristics of municipal competitor's ability to compete, or (5) understand "predatory pricing" as a possible part of deregulation. (Init. Br. 4-5.) IAMU argues that outright deregulation would create monopoly power, the incentive to use this monopoly power against decentralized, single exchange second providers would be substantial, and the impact could be devastating both to the second providers and customers generally and to the public's interest in developing effective competition in Iowa's rural areas. (Init. Br. 7.)

The Municipal Group argues Iowa Telecom has failed to make any distinctions in regard to services and facilities as required by Iowa Code § 476.1D(1) and has not presented any evidence that a duopoly will create market forces which can replace regulation as a means of protecting consumers. (Init. Br. 10.)

The Independent Group also states Iowa Telecom's failure to identify the retail services subject to competition makes it impossible to determine whether there are any market forces in action, much less whether those forces would assure just and reasonable prices. (Init. Br. 20.) Iowa Telecom failed to show that any competition exists for enhanced services, for business lines, or to distinguish between rural and in-town customers. Instead, the record contains evidence that rates would not be just or reasonable in the absence of regulation. In particular, Iowa Telecom is the

wholesale provider of the unbundled network elements used to provide rural service. No market force will control costs for these customers.

***Analysis***

Iowa Code § 476.1D provides that deregulation of a service or facility for a utility is effective only after "a finding of effective competition by the board," among other things. The parties disagree as to what makes for effective competition.

As shown in Revised Confidential Exhibit B, only one alternative wireline provider exists in each of the nine exchanges under consideration. Iowa Telecom argues that the duopoly in each of the nine exchanges is sufficient for a finding of effective competition. Consumer Advocate, RIITA, and the Municipal Group disagree arguing that the market concentration of a duopoly does not assure just and reasonable rates. Other parties argue that Iowa Telecom failed to adequately address the question of effective competition. One of Iowa Telecom's witnesses admits that no economist was used in preparing Iowa Telecom's statement or counterstatement, nor were there any surveys of customers to identify why they had lost market share. (Tr. 36.)

In this record, there is no economist who testifies that effective competition exists in a duopoly situation. A number of measures of market share and market power exist to try to measure the likelihood that such market forces exist and will endure. In the past, the Board has declined to rely heavily on economic measures of competition such as the Herfindahl-Hirschman Index (HHI) for determining the existence of effective competition. (U S WEST Communications, Inc., "Order

Denying Petition for Deregulation," Docket No. INU-99-3, 15.) The Board found that reliance on the HHI would have the "practical effect of nullifying Iowa Code § 476.1D by imposing a standard that is never likely to be met." The Board continues to believe that excessive reliance on tests that were formulated for other purposes may have the undesirable effect of nullifying the statute and should therefore be viewed with caution, if they are to be considered at all.

Even if the Board is persuaded that an economist's definition of effective competition is too restrictive and a pragmatic acceptance of duopoly is warranted on other bases, however, the Board is still concerned about the future viability of a duopoly as a form of effective competition. If a large company has the freedom to target isolated markets in turn and drive local competitors out of business, then the market forces of a duopoly are unlikely to be adequate to maintain the duopoly and assure reasonable, competitive rates. In other words, complete deregulation may allow predatory behavior that can, and possibly will, destroy the nascent market being used as rationale to justify deregulation. Moreover, if an entity with predatory pricing power drives the competition out of business, re-regulation does not offer an adequate solution. In such a scenario, Iowa Telecom gets all its customers back and the CLEC is gone with little likelihood or incentive to ever come back. That is not consistent with the legislative intent behind Section 476.1D.

The Board finds that the record does not establish that the identified market forces are sufficient to assure just and reasonable rates without regulation. Thus, the Board will deny Iowa Telecom's petition for deregulation. For the guidance of parties

to future deregulation dockets, the Board will also discuss the application of the criteria from its rules to the evidence in this record.

### **The Criteria of 199 IAC 5.6(1)**

#### **1. Does Iowa Telecom have the ability to control prices?**

Iowa Telecom points out that some of its CLEC competitors charge prices that are higher than Iowa Telecom's, while others charge lower prices. Furthermore, its competitors have been able to capture a significant amount of market share in all the exchanges. Iowa Telecom asserts this evidence demonstrates that it is unable to either influence or control the prices charged by its competitors. (Init. Br. 9.) In response to the concerns about potential predatory pricing, Iowa Telecom states the company has no plans or intentions to price below cost for the purpose of driving its competitors out of business, plus the Board could re-impose regulation, if necessary. (Init. Br. 11.)

In reply briefs, the Municipal Group, the Independent Group, and IAMU continue to argue that a deregulated Iowa Telecom will have the ability to engage in predatory pricing, that is, selling its services in the identified exchanges at below-cost rates, subsidized by its revenues from its regulated operations, in order to drive the CLECs out of business. They note that Iowa Telecom is "296 exchanges big" compared to many single-exchange competitors. (IAMU Init. Br. 15.)

Consumer Advocate, in contrast, is concerned with Iowa Telecom's potential ability to raise prices after deregulation, because the competition from a single CLEC

will not be sufficient to provide price discipline to the competitors. The ability or inability of a single provider to determine or control prices is a question of market power (Init. Br. 4) and each of the exchanges for which Iowa Telecom seeks deregulation is a duopoly. Market concentration of duopoly precludes a finding that market forces are sufficient to assure just and reasonable rates without regulation. (Init. Br. 5.)

The Independent Group and Municipal Group observe that Iowa Telecom's request that the requirement for a deregulated accounting plan be waived is not reassuring that predatory pricing will not occur. (Independent Group Reply Br. at 12-13; Municipal Group Reply Br. at 13-14.) The Municipal Group argues that if predatory pricing occurs, by the time the Board is done researching the complaint(s), the CLEC would be driven out of business. (Reply Br. 13-14.) The Municipal Group also is concerned that Iowa Telecom can control prices in resale relationships in which Iowa Telecom is the wholesaler, especially the rural areas outside of municipal exchanges. (Reply Br. 12.)

### ***Analysis***

Little or no convincing evidence has been presented to show that Iowa Telecom would not have ability to set its own prices at almost any level in deregulated exchanges. The record shows that Iowa Telecom has lower prices and less market share than a competitor in some of the regulated exchanges, but this is not evidence that Iowa Telecom cannot and will not control prices if deregulated. If the Board deregulates retail services in the nine exchanges, two possibilities may

result: Price predation and duopolistic pricing. Iowa Telecom may choose to target an exchange to acquire a larger market share or to drive a smaller, shallow-pocketed competitor out of business. Or, duopolistic pricing may evolve, leaving the customer with no real choices. In either case, Iowa Telecom has the ability to control prices and, accordingly, the direction of the market.

**2. What is the ease and likelihood of further market entry?**

Iowa Telecom asserts that in all nine exchanges another provider has entered the market using one or a combination of three market entry options (facilities-based, UNEs, or resale) without entry barriers. (Reply Br. 10-11.) The fact that additional providers have certificates and tariffs is also evidence of the ease and likelihood that other providers will enter the market. Iowa Telecom contends these exchanges are not unique with respect to market entry by municipal utilities. (Init. Br. 12.)

A witness for the Independent Group described numerous costs and activities and identified them as barriers to entry. (Tr. 352-58.) Iowa Telecom asserts that these costs and activities would be present for any provider entering the market, regardless of the number of providers already in the exchange. Iowa Telecom contends these activities and costs should not be considered as barriers to entry.

An Independent Group witness testified that only facilities-based providers will be profitable in the exchanges and to be profitable there can be no more than two providers in an exchange. Iowa Telecom contends that if the Board were to accept



the contention that effective competition requires at least three providers, then local competition may never be deregulated in these exchanges. (Init. Br. 14.)

An IAMU witness testified that regulatory uncertainty is a barrier to entry. Iowa Telecom argues that § 476.1D permits incumbent local exchange carriers (ILECs) to petition for deregulation of services, and the only way the Board could eliminate the possibility of regulatory uncertainty would be to declare it will never consider any requests for deregulation of services. Iowa Telecom contends this would be in clear contradiction of the statute and the legislature's intent. (Init. Br. 14.)

In its reply comments, Iowa Telecom responds to the parties who claim that the capital costs of getting into the local exchange business are high by arguing that market entry strategies such as resale and unbundled network elements-platform (UNE-P) require much smaller investments. (Reply Br. 6.) Iowa Telecom also asserts that by themselves the costs of market entry should not be considered a barrier to entry, because those costs will exist regardless of whether Iowa Telecom is deregulated. (Id.)

Consumer Advocate contends that nearly all the relevant evidence in this case demonstrates that other providers are unlikely to enter these markets due to substantial barriers to entry, irrespective of Iowa Telecom's behavior. Consumer Advocate offers the following list of barriers: the small size of these local exchange markets; the high cost of building a new local exchange network; economies of scale and scope in a local exchange network; the minimum efficient scale of a local exchange network; the sunk costs that would be faced by an unsuccessful additional

CLEC; the prices of Iowa Telecom UNEs; and the Iowa Telecom resale discount rate. Consumer Advocate argues that Iowa Telecom has offered no evidence suggesting these barriers do not exist. (Reply Br. 3-4.)

IAMU asserts that predatory pricing will be a deterrent to entry. If the municipal second providers are destroyed via predatory pricing, this will act as a deterrent to other providers considering entry into a single exchange. (Reply Br. 12.) IAMU's witness testified that since this proposal was made, the companies he advises have either put competitive plans on hold or abandoned them. (Init. Br. 5.)

The Independent Group contends that Iowa Telecom's only evidence of ease of entry is the claim that there are no barriers to entry because CLECs can resell Iowa Telecom's services. This is an obligation under the Telecommunications Act of 1996 and, if it were the only evidence required to show ease of entry, then all exchanges (other than those served by rural companies) would be open to competition. The Independent Group contends this argument does not make sense because resale is not a profitable entry option. The only profitable entry option requires a substantial capital investment for a partial or complete overbuild. (Init. Br. 22.)

The Municipal Group contends there are significant barriers to entry for municipal utilities entering the local exchange market. Municipal utilities must hold an election and they are not permitted to spend money campaigning on the ballot issue. However, the ILEC can spend money in opposing the ballot initiative. The Municipal Group contends that other than the cities themselves, no other providers have

chosen to enter the Coon Rapids and Manning exchanges, demonstrating that it is not easy for others to do so. (Init. Br. 6.)

***Analysis***

The evidence in this case does not reflect any ease or likelihood of further market entry in the nine exchanges at issue. The Independent Group witness testified that resale, as a method of market entry is not profitable. The same witness also testified that for a facilities-based provider to be profitable it would need to acquire a 50 percent market share. (Tr. 366-67.) Iowa Telecom has not offered any substantial evidence refuting either contention. The record demonstrates that facilities-based entry requires substantial investment. (Tr. 352.) If a 50 percent market share is the threshold to become profitable and start up costs are substantial, it stands to reason the entry of a third facilities-based provider is very unlikely.

Iowa Telecom's argument that ease of entry is demonstrated by the existence of other potential providers possessing certificates and tariffs is not persuasive. The record reflects that none of these potential market entrants are actually providing local exchange service. (Tr. 211-12.) Iowa Telecom states that it is aware that wireless services are evolving as a substitute and are a viable alternative for wireline services in the nine exchanges. However, the specific data indicating the extent to which services are used in the exchanges is information that is not available to Iowa Telecom. (Reply Br. 12.)

**3. Are the alleged competitive services good substitutes for one another?**

This issue was addressed in the discussion regarding the availability of comparable services, above.

**CONCLUSION**

The Board will deny Iowa Telecom's petition for deregulation. The evidence in this record is insufficient to support a finding that the market forces associated with a wireline duopoly would be sufficient to assure just and reasonable rates without regulation.

The Board understands Iowa Telecom's dilemma in these exchanges. It is losing market share in each exchange, sometimes to a competitor that charges somewhat higher rates. At the time Iowa Telecom filed its petition, deregulation may have appeared to Iowa Telecom to be the best available response to the competition.

However, while this docket was pending, the Board has addressed in other dockets some of Iowa Telecom's identified competitive concerns. For example, the difference between CLEC and ILEC access charges was addressed in the FiberComm decision, ultimately leading Iowa Telecom to withdraw its request to deregulate access services. Similarly, the ability of price-regulated ILECs to reduce prices in a particular exchange to meet competition was addressed in Qwest Corp., "Order Approving New Price Regulation Plan," Docket No. RPU-01-10 (issued February 4, 2002). Iowa Telecom could propose to modify its price regulation plan to include similar authority pursuant to § 476.97(11)"h." The Board's actions in these

other dockets, which had not been completed at the time Iowa Telecom filed its petition in this docket, may give Iowa Telecom some reasonable options for responding to its competitors.

**ORDERING CLAUSE**

**IT IS THEREFORE ORDERED:**

The petition for deregulation filed by Iowa Telecommunications Services, Inc., on August 9, 2001, and docketed for investigation as Docket No. INU-01-1, is denied.

**UTILITIES BOARD**

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 5<sup>th</sup> day of April, 2002.